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The Power of Ukraine's Billionaires

Yanukovych's Fall

By Christian Neef in Kiev

2/25/2014

The protesters in Kiev were largely responsible for the fall of the Ukrainian president. But his way out of office was paved by two of the country's most powerful oligarchs. Made rich by Viktor Yanukovych, the pair made early preparations for his departure.

Nobody told Ukrainian parliamentarian Yuri Blagodir that you had to be physically fit to be a representative. But last Thursday, the ability to run fast suddenly became a key skill. Just before 10 a.m., the parliament in Kiev was finally assembling in an effort to find a way out of the spiraling chaos that had gripped the country. Then came the order to clear the building.

Gunfire rang out, explosions shook the government quarter and special police and secret service units rushed to the scene. The opposition, it was said, intended to storm the parliament and the seat of government.

Blagodir, 40, ran up the street along with the other parliamentarians, away from the city center and away from the parliament building. They felt like they were running for their lives -- a pack of representatives being hunted by the people they represented.

It was afternoon before they returned to their workplace and the greatly anticipated special session only began at 5 p.m. For Yuri Blagodir, the session was of particular importance. Just a day earlier, he had still been a member of the Party of Regions, the governing party led by President Viktor Yanukovych.

Thursday was to be the first day of his new political life. A day prior, he had posted the following on his website: "The events of the last three months have shown that the official response to the crisis can only lead to civil war and the disintegration of the state." He joined three other Party of Regions members in renouncing their membership. A day later, 10 more representatives turned their backs on Yanukovych and huge numbers of functionaries across the country did the same.

It marked the beginning of the rapid end of Yanukovych's grip on power. It was his worst-case scenario: By the end of the day on Thursday, a third of his parliamentarians had abandoned him.

The reason was clear. Civil war no longer seemed merely a theoretical possibility. Snipers had opened fire on protesters in the city center, killing dozens with shots to the head, neck or chest. Over 50 people were killed on the streets of Kiev that day -- a day which was supposed to be one of mourning for the protesters who lost their lives that Tuesday. In total, according to Ukrainian authorities, 88 people died in the conflict last week.

An Understanding with the Oligarchs

As government loyalists and protesters battled it out on and around Independence Square, the rest of the city was ghostly silent. The subway was closed, as were shops, restaurants and banks. Only ambulances sped through the city streets. In front of the Radisson Hotel, Polish Foreign Minister Radoslaw Sikorski climbed into a car to drive with his counterparts Frank-Walter Steinmeier, from Germany, and Laurent Fabius, of France, to a meeting with Yanukovych in an effort to re-establish peace.

Parliamentarians, meanwhile, began debating a crisis solution of their own -- even as others were pouring oil onto the fire. The country's secret service head demanded that the battle against the "terrorists" be fought to the bitter end. And former head of government Yulia Tymoschenko, still locked up in Kharkiv at the time, said that the many deaths in Kiev were the result of "negotiations with the dictatorship that were hopeless from the outset." It was essentially a call for a violent overthrow.

Yet by then, it had long since become clear that a solution to the crisis would not be found on Independence Square. Nor would it come from Moscow, Washington, Berlin or Brussels. Rather, it would have to come from parliament -- together with those people who had supported the president. The opposition was faced with the prospect of winning them over in order to establish a political majority.

More than anything, though, the opposition had to reach an understanding with the two men who controlled roughly half of Yanukovych's party: Rinat Akhmetov and Dmitry Firtash, the two most influential oligarchs in the country.

"The two knew that, were Yanukovych to fall, they would be the biggest losers. That is why they did everything to prevent the radical solution sought by the protesters on the Maidan," says Vadim Karasev. Karasev was an advisor to President Viktor Yushchenko, who came to office following the 2004 Orange Revolution only to lose it a short time later due to deep differences with his one-time ally Tymoshenko. Currently, Karasev heads up one of Ukraine's most important think tanks.

Our meeting with Karasev took place in an empty café at the Premier Palace Hotel, across from where Kiev's Lenin monument stood until it was pulled down by radical nationalists in December. "If Yanukovych had attempted to solve the crisis with violence, he would have lost, but the oligarchs would have too," Karasev says. "Tymoshenko would have replaced him immediately and then we would have seen a repeat of what happened after the Orange Revolution: the dispossession of the rich. But all of Ukrainian politics depends on them. The men who became rich thanks to Yanukovych want guarantees for their holdings."

Pulling Strings

Akhmetov and Firtash: Those two names have repeatedly surfaced in Kiev in recent weeks. But they have been careful to stay out of the spotlight and declined interview requests. It was reported over the weekend that they were both in London. Still, they both have been busy pulling strings in recent weeks.

Akhmetov is the more important of the two. The 47-year-old is worth \$15 billion and is head of the holdings company System Capital Management, which controls more than 100 companies with some 300,000 employees. They include metallurgical and pipe factories, banks, real estate firms, mobile phone enterprises and a large media company. He is the de-facto ruler of Donbass, the home of Ukrainian heavy industry, and owns the football team Shakhtar Donetsk. He is also among the leaders of Yanukovych's Party of Regions.

In recent weeks, Ukrainian protesters have staked out houses of his in both Donetsk and London. They held up signs reading: "Just one phone call from him and the killing will stop."

Only once did Akhmetov show himself to the protesters. He drove up in his Mercedes and told them that he was prepared to talk. The worst for him, he said, would be if he "could no longer walk through Donetsk and breathe Ukrainian air." Akhmetov, who started "at zero" 25 years ago, as he likes to emphasize, didn't want to belong to the losers.

He comes from a poor mining family. "We lived in just 20 square meters (215 square feet) and had no toilet or sink at home," he has said. But then, at the beginning of the 1990s, following the collapse of the Soviet Union, he made his first million trading coal in the mining city of Donetsk.

Nobody knew him at the time. He only entered the spotlight when Akhat Bragin, who was president of the Shakhtar football team at the time, was assassinated in an explosion during a game in 1995. Bragin was the godfather of Donetsk.

Akhmetov had had business dealings with Bragin and became his successor at Shakhtar. Just before, he had founded his first bank in Donetsk. He later said that he became rich via "a few risky deals immediately after the disintegration of the Soviet Union."

A short time later, the former automobile mechanic Viktor Yanukovych, previously convicted of robbery and assault, was named head of the Donetsk regional government. A business relationship developed between him and Akhmetov -- one which ultimately blossomed into a friendship. When Yanukovych became head of government in Kiev in 2002, Akhmetov's career looked to be on the rise.

The Rise

The budding oligarch of course went on to back Yanukovych's 2004 presidential candidacy. But when he failed -- after seeking to ride Russian support and clumsy electoral fraud to the presidency, and touching off the Orange Revolution in the process -- things began looking grim for Akhmetov as well. The country's new leadership, under Yushchenko, began confiscating parts of his steel conglomerate, accusing him of having obtained them illegally.

Then, in 2005, he was accused of involvement in economic crimes and police began raiding his properties and offices. He fled to Monaco and stayed there for a time, avoiding the unpleasantness at home. Ultimately, though, he returned and became a key sponsor of Yanukovych's Party of Regions. When Yanukovych finally did become head of state in 2010, the future looked bright for Akhmetov.

The second oligarch, Dmitry Firtash, 47, followed a similar path to his riches. After serving in the army, he became a fireman and began his business career with a deal that profited him \$50,000: In Hong Kong, he traded 4,000 tons of evaporated milk from Ukraine for cotton from Uzbekistan.

Later, he went to Moscow where he lived in the Rossiya Hotel in Moscow, located across from the Kremlin. It is where Soviet businesspeople gathered and while there, he got to know key players in the Turkmen natural gas industry. He quickly entered the trade, receiving natural gas in exchange for foodstuffs.

He too advanced quickly. He bought a chemical factory in Estonia and later purchased an Austrian firm which specialized in natural gas transportation. In 2004, he joined the Russian gas company Gazprom in opening the company RosUkrEnergo, which specialized in transporting natural gas to Western Europe.

It was this company which later put him at odds with the Orange Revolution: A dubious 2009 deal between Prime Minister Yulia Tymoshenko and her Russian counterpart Vladimir Putin ruined Firtash's business. He and Tymoshenko became bitter enemies.

When Yanukovych ascended to power, it was good for Firtash as well. He expanded his empire and today, with his media conglomerate Inter Media Group, controls several television channels.

There are, of course, differences between Akhmetov and Firtash. For one, Firtash is worth less than a billion dollars, in contrast to the monumentally rich Akhmetov. Furthermore, he works closely with partners in Russia whereas Akhmetov's business empire is more focused on Europe. But the two have divided the political playing field between them and they control their country's political scene as though it were a business joint venture. Key positions, whether in ministries or in parliament, are all occupied by their people. Yanukovich's economics minister, for example, came from Akhmetov's team while the deputy prime minister, in charge of natural gas issues, answered to Firtash. It is a loveless marriage of convenience, but it has held.

'Hard to Believe'

In the last parliamentary elections, Akhmetov filled roughly 60 spots on the Party of Regions list with his people while Firtash chose 30. That is how politics in Ukraine is done: Whereas Putin took power away from the oligarchs in Russia, they are still at the controls in Ukraine.

The pair came to the conclusion well before the current crisis that Yanukovich would not be around for much longer. They began carefully looking around for alternatives. Akhmetov, for example, had always gotten along well with Tymoshenko, in contrast with Firtash, and began supporting Arseniy Yatsenyuk, who took over the leadership of her Fatherland alliance when she was incarcerated. Firtash, for his part, backed Vitali Klitschko's party UDAR.

"In reality, Firtash early on placed people in Klitschko's UDAR Party, a former head of secret service, for example," says Vadim Karasev. "The contacts were made via the head of the presidential office."

"It may sound hard to believe," Karasev says, "but Firtash was looking for an alternative for the eventuality that Tymoshenko was released and claimed the right to the presidency. It would have been advantageous were Klitschko already there, as a puppet of Firtash."

That's how Akhmetov and Firtash built up options for a possible future without Yanukovich. When the protests broke out on Independence Square in November and both oligarchs saw how obstinately Yanukovich reacted, they began to distance themselves. It was clear to both of them that if worse comes to worst, and the West imposed sanctions on Ukraine, their businesses would be the first to be affected.

Akhmetov made it known that he was in favor of negotiations between the government and the opposition. Firtash also quickly called for a peaceful resolution of the conflict, emphasizing that people on both sides of the barricades were Ukrainians.

Letting Yanukovich Fall

Last Tuesday's bloody conflicts tipped the scales. On Wednesday both Akhmetov's and Firtash's TV stations changed their coverage of Independence Square: Suddenly the two channels, Ukraina and Inter, were reporting objectively on the opposition. The message of the oligarchs was clear: We're letting Yanukovich fall.

And in parliament -- where the majority party had barely budged a millimeter in the past weeks - - the mood suddenly changed: Suddenly they were looking for a compromise after all. It became clear on Thursday what this would mean: the forming of a broad coalition, the return of the old constitution and, with it, a reduction of the presidential powers as well as an accelerated presidential election.

Friday was a cheerful day, with bright blue skies. There was still sporadic gunfire but on Independence Square it was hard to believe that, just a few days earlier, people had been gunned down there.

Shortly after noon Yanukovych addressed the people as though he were still calling the shots. He declared that he would "initiate" new elections, constitutional reform and the formation of a new government with national support. Then, things began moving very fast. On Friday evening, parliament got back its full former powers, dismissed the hated interior minister and ultimately Yanukovych himself and smoothed the way for the release of Yulia Tymoshenko.